

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SP-03

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FM AMEMBASSY MANILA

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CINCPAC

C O N F I D E N T I A L MANILA 5342

PASS EXIM

EO. 11652: GDS

TAGS: EFIN, RP

SUBJECT: FINANCING FOR ITPC SALE OF NAVAIDS TO PHILIPPINES

REF: A) STATE 059963; B) STATE 067828; C) MANILA 10632;

D) STATE 181165; E) MANILA 10146

1. GOP DEPARTMENT OF NATIONAL DEFENSE OFFICIAL HAS INFORMED EMBASSY OFFICER THAT GOP IS ACTIVELY CONSIDERING SALE OFFER FROM INTERNATIONAL TECHNICAL PRODUCTS CORPORATION OF NAVIGATION AIDS AND TELE-COMMUNICATIONS EQUIPMENT. REVIEW OF ITPC REQUEST FOR PRELIMINARY COMMITMENT FROM EXIM ON FINANCING FOR SALE HAS RAISED DQUESTIONS CONCERNING EQUIPMENT PRICING, ITS INTENDED USE AND ITS ESSENTIALITY. WHILE GOP MUST JUDGE ESSENTIALITY OF EQUIPMENT, PRICING AND USE QUESTIONS ARE RELEVANT IN COUNTRY TEAM JUDGMENT TO EXIM'S CONSIDERATION OF TIPC'S PRELIMINARY COMMITMENT APPLICATION.

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2. PHILIPPINE AIR FORCE APPEARS TO BE HANDLING ALL

ASPECTS OF PLANNED PROCUREMENT APART FROM FINANCING. USES PLANNED FOR EQUIPMENT APPEAR TO BE PRIMARILY MILITARY WITH EMPHASIS ON IMPROVING DEFENSE COMMUNICATIONS, MILITARY TACTICAL AIR CONTROL, AND COSASTAL SURVEILLANCE IN SOUTHERN PHILIPPINES. EQUIPMENT, HOWEVER, EXPECTED TO SERVE SOME CIVILIAN AIR NEEDS AS WELL. PAF REPORTEDLY DESIRES IMMEDIATE DELIVERY OF MOST OF EQUIPMENT INCLUDED IN PROPOSED SALE.

3. COUNTRY TEAM COMPARISON OF SOME PRICES QUOTED BY ITPC WITH PRICES FOR THE SAME OR SIMILAR EQUIPMENT FROM OTHER U.S. SOURCES SHOWS ITPC PRICES TO BE SUBSTANTIALLY HIGHER. FOR EXAMPLE, COST OF GROUND CONTROLLED APPROACH RADAR SYSTEM IS ESTIMATED IN RANGE OF \$400,000 COMPARED TO \$1,200,000 FROM ITPC. FOR MOBIL CONTROL TOWERS THE ITPC ESTIMATE OF \$1,000,000 PER UNIT IS MORE THAN THREE TIMES ESTIMATE OF \$300,000 BASED ON PRICE DATA AVAILABLE TO COUNTRY TEAM. ALTHOUGH COUNTRY TEAM HAS NOT BEEN ABLE TO DEVELOP COMPARATIVE PRICE ESTIMATES FOR ALL ITEMS INCLUDED IN PROPOSED SALE, ALL THE ESTIMATES AVAILABLE TO THE COUNTRY TEAM ARE LESS THAN HALF QUOTED ITPC PRICES.

4. EMBASSY IS NOT AWARE OF FACTORS WHICH MIGHT REASONABLY EXPLAIN DIFFERENCE BETWEEN ITPC PRICES AND COMPARISON PRICES. SPREAD BETWEEN PRICES APPEARS TOO GREAT TO BE ATTRIBUTABLE ENTIRELY TO SPEED OF PLANNED DELIVERY AND COSTS OF ASSOCIATED SERVICES AND CONSTRUCTION. POSSIBLY INDUSTRY ASSOCIATIONS OR DEPARTMENT OF COMMERCE EXPERTS MAY BE ABLE MAKE MORE AUTHORITATIVE ANALYSIS WHICH WOULD PROVIDE EXPLANATION NOW MISSING.

5. COUNTRY TEAM BELIEVES UNDER PRESENT CIRCUMSTANCES EXIM SUPPORT FOR PROPOSED ITPC SALE WOULD RISK DAMAGE TO REPUTATION IN PHILIPPINES OF EXIM AND OF U.S. SUPPLIERS. IN ABSENCE APPROPRIATE EXPLANATION OR REPORTS OF NEW FACTS REGARDING ITPC PRICES, COUNTRY TEAM RECOMMENDS THAT EXIM DISAPPROVE PRELIMINARY COMMITMENT APPLICATION.
SULLIVAN

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